FILE COPY

Office-Supreme Court, U.S.
FILED
DEC 14 1961
JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1961

No. 224

THE HANOVER BANK, EXECUTOR, ET AL.,
Petitioners,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

BRIEF OF *AMICUS CURIAE*

WILLIAM WALLER,
American Trust Building,
Nashville 3, Tennessee,
Amicus Curiae.

Of Counsel:

WALLER, DAVIS & LANSDEN,
American Trust Building,
Nashville 3, Tennessee.

INDEX

PAGE

I. Interest of Amicus Curiae 1

II. Summary of the Argument 3

III. The Argument 4

Conclusion 5

Appendix A

Appendix B

Appendix C

Cases Cited

Arizona Grocery Co. v. *Atchison, Topeka & Santa Fe Railway*, 284 U. S. 370 (1932) 9

Automobile Club v. *Commissioner*, 353 U. S. 180 (1957) 9

Boehm v. *Commissioner*, 326 U. S. 287 (1945) 9

Bowles v. *Seminole Rock Co.*, 325 U. S. 410, 414 (1945) 8

Crane v. *Commissioner*, 331 U. S. 8 (1947) 9

Evans v. *Dudley*, 188 F. Supp. 9, aff'd, 3 Cir. Nov. 8, 1961 ..... 2, 5

Exchange Parts v. *United States* (Ct. Cl. 1960), 279 F. 2d 251 9

Fabreeka Products Co., 34 T. C. 290, 293, reversed, 1 Cir. Oct. 5, 1961 ..... 8, 9

Friedman, 34 T. C. 456, reversed, 1 Cir. Oct. 5, 1961 9

Goldfarb v. *Commissioner*, 33 T. C. 568, affirmed 289 F. 2d 69 ..... 2, 5, 6

PAGE

Gourielli's Estate v. *Commissioner*, 33 T. C. 357, affirmed 289 F. 2d 69 ..... 2, 5, 6, 10

Korell v. *United States*, 339 U. S. 619 (1950) 5

Maysteel Products, Inc., 33 T. C. 1021, reversed, 7 Cir. 287 F. 2d 489 9

Norwegian Nitrogen Co. v. *United States*, 288 U. S. 294 (1933) 8

Parnell v. *United States*, 272 F. 2d 943, 6 Cir., affirming 187 F. Supp. 576 ..... 2, 4, 5-6, 8, 10

Reed v. *United States*, 272 F. 2d 943, 6 Cir., affirming 187 F. Supp. 576 ..... 2, 4, 5-6, 8, 10

Sherman, 34 T. C. 303, reversed, 1 Cir. Oct. 5, 1961 9

Sunshine Coal Co. v. *Adkins*, 310 U. S. 381, 398 (1940) 9

United States v. *Leslie Salt Co.*, 350 U. S. 383 (1956) 9

IN THE

Supreme Court of the United States

OCTOBER TERM, 1961

No. 224

THE HANOVER BANK, EXECUTOR, ET AL.,
Petitioners,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

BRIEF OF *AMICUS CURIAE*

I. Interest of *Amicus Curiae.*

This brief is submitted with the written consent of both sides in support of the position of the petitioners by William Waller as *amicus curiae.* He is one of the counsel for the taxpayers in certain cases pending in the Tax Court[1] and in the District Court for the Middle District of Tennessee[2] involving legal issues similar to those in the present cases.

In each case the taxpayer computed bond premium with respect to the special call price at which the bonds held by

1. Docket Nos. 62718, 66103 and 66319, heard by the Tax Court September 26, 1961, and awaiting decision.

2. *J. Paschall Davis et ux* v. *United States,* Civil Action No. 3145; *Paul Mountcastle, et ux* v. *United States,* Civil Action No. 3145.

him could be called on thirty days' notice. In the cases before the Court the bonds involved were issued by Appalachian Electric Power Company and Arkansas Power Company, while in the other cases bonds issued by Appalachian Electric Power Company were involved, but also, among others, bonds issued by Alabama Power Company and Georgia Power Company. This was also true in *Evans* v. *Dudley*, 188 F. Supp. 9, affirmed November 8, 1961 by the Court of Appeals for the Third Circuit, although the opinions in that case do not specifically identify the bonds.

While the ultimate legal issues are similar in all these cases, there is a factual difference, which, on the theory adopted by the Court of Appeals, would be significant, but which the petitioners and the *amicus curiae* regard as irrelevant.[3] This factual difference is as follows: As of the dates of the various hearings in the trial courts, none of the Appalachian bonds had been called at either the special call prices or the general call prices. The entire issue of Arkansas Power Company bonds was called in the year following issuance with the proceeds of a new issue bearing a lower coupon rate, and since the bonds were called in a refunding operation, they were necessarily called at the general call price, and it is impossible to know

3. The Court of Appeals expressed the belief (R. 150; 289 F. 2d 75) that its decision ran "counter to at least one" of two Sixth Circuit decisions, *Parnell* v. *U. S.* and *Reed* v. *U. S.*, 272 F. 2d 943, affirming 187 F. Supp. 576. *Parnell* involved Appalachian Electric Power Company bonds, while *Reed* involved Georgia Power Company bonds. The Court of Appeals took judicial notice of financial and economic data and accounting practices and rendered a decision on the merits, as contrasted with the decision of the Tax Court in *Gourielli* which was based on the "presumption of correctness" of the Commissioner's determination (R. 80-81) and as contrasted with its decision in *Goldfarb* which was based on the theory that *Gourielli* was "controlling" (R. 134).

to what extent, if at all, these bonds would have been called at the special call price if the refunding operation had not taken place. A substantial percentage of the outstanding Alabama Power Company bonds had been called at the special call prices, but none at the general call prices. A respectable number of Georgia Power Company bonds had also been called at the special call prices, but none at the regular call prices.[4]

II. Summary of the Argument.

The Court of Appeals overlooked the fact that the taxpayers calculated bond premium in accordance with a Treasury regulation issued pursuant to an express delegation of legislative authority, prescribing reasonable methods of amortizing bond premium.[5] The regulation, while not expressly mentioning alternate call prices applicable on the same call date, necessarily implied that a taxpayer might initially choose to calculate bond premium with reference to either of two such alternate call prices, after which he was forbidden to use the other in the calculation of his deductions.[6] The regulation expressly stated that an election should apply to all bonds of the same class or classes thereafter acquired and should be binding for subsequent years.[7] It follows that the degree of likelihood that particular bonds might be actually called at particular

4. See Appendix A, *infra*.

5. Reg. 118, Section 39.125 the pertinent portions of which are copied in Appendix B, *infra*. The corresponding portion of the preceding and succeeding regulations were identical, except as revised to embody the statutory revision in the 1954 Code, Section 171, limiting the use of 30-day call prices to bonds issued before January 22, 1951 or purchased before January 22, 1954.

6. Reg. 118, Section 39.125(b)-2.

7. Reg. 118, Section 39.125(c)-1. "Classes" of bonds relates only to whether they are fully taxable or wholly or partially tax exempt.

call prices was irrelevant, and that the Court of Appeals erred in permitting the Commissioner to change his mind retroactively on this point, as to taxpayers who had not personally received rulings expressly approving their use of the special call price.

III. The Argument.

The reason for this *amicus curiae* brief is to emphasize the point that, under the Treasury regulation prescribing reasonable methods of amortizing bond premium, once an election is made to compute bond premium with reference to an earlier call date, rather than the maturity date of the bonds, exactly the same method must then be followed with respect to other bonds. This means that if amortizable bond premium may be and is determined with reference to the special call price of certain bonds, available on thirty days notice, it must be determined with reference to the special call price of other similar bonds available on like notice. There would, of course, be an exception if the special call price with respect to certain bonds were a "sham," a contention advanced by the government in *Parnell* and *Reed, supra,* but, as we understand it, no longer insisted upon with respect to the bonds here involved.

Under the regulation, as under the statute itself, the taxpayer was required to adhere to his election with respect to other bonds then or later held, and thus to apply a single consistent method of amortizing bond premium. In the instant cases, the Court of Appeals for the Second Circuit erroneously ignored this requirement and instead sought to examine as relevant the likelihood that the taxpayer's bonds were about to be called at the

selected call price. This approach of the Second Circuit, requiring a separate examination of current and prospective interest rates, company policies, and other data, as they affect each separate issue of bonds held by the taxpayer, and requiring a new election after each purchase, was therefore directly opposed to the requirement of consistency. The proper approach, rejecting the requirement of separate analysis, was adopted by the Court of Appeals for the Third Circuit in *Evans* v. *Dudley, supra*, where the Court noted "It would be hard on the taxpayer, as well as a difficult problem of administration" to go into such questions.

In *Parnell* and *Reed* the District Court (having in mind the statement in *Korell* v. *United States*, 339 U. S. 619 (1950), that Congress was "legislating for the generality of cases"), found that it would be impractical to devise a "regular method" of amortizing bond premium which would vary with different bond issues, depending upon a factual determination as to whether the particular bonds were "reasonably and realistically callable for redemption"[8] at the particular call prices, saying:

> "• • • Whether any particular bonds will or will not be called before maturity at either the special call prices or the regular call prices, and if so, how many bonds will be called, and in what

8. This is the language of Revenue Ruling 56-398 which reversed the Commissioner's previously consistent construction of his regulation, and thereby precipitated this litigation. A fallacy of this new approach is illustrated by the Tax Court's finding in *Gourielli* (R. 79), relating to Appalachian Electric Power Company bonds issued in 1951, that the "prevailing rate of interest on bonds during 1952, 1953 and 1954 never fell below the prevailing rate for 1954," as compared with the finding in *Goldfarb* (R. 132), relating to Arkansas Power Company bonds issued in 1953, that all of them were redeemed in 1955 at the general call price (because they were being refunded at a lower interest rate). A bond purchaser cannot foresee the future levels of interest rates.

year they will be called, are matters which depend upon varying indenture provisions and upon unpredictable future conditions and company policies." (187 F. Supp. 579).

In the present cases, however, the Court of Appeals considered as determinative not merely the issuer's "legal ability" but also its "prospective intention" to call bonds, necessarily implying that a taxpayer's method of amortizing bond premium should vary with different bonds (R. 148; 289 F. 2d 74). We submit that this approach is erroneous.

There are, of course, many bond issues in which it is known in advance that, barring insolvency of the issuing company, or similar contingencies, substantially the entire issue will be called before maturity at the special call prices for sinking fund purposes, because the indenture makes it mandatory that the company do so. Even with respect to such an issue, the mathematical probability that any particular bond will be called in any particular year would, of course, be small. Without a crystal ball a taxpayer could not, under the Treasury regulation, delay his deduction until he could foresee that his bond numbers were about to be drawn. No such method was prescribed, and no "regular method" to this effect could be devised.[9]

---

9. If a taxpayer wished (under pre-1958 law) to use the special call price, payable on thirty days' notice, in calculating bond premium, the Treasury regulation and the Commissioner's rulings applying the regulation made it plain that such taxpayer had to take the entire deduction over the thirty day period immediately following his purchase of the bonds. He could not take a part of the deduction, computed with reference to the general call price, and postpone the remainder until a later year when he might discern "circumstances indicating the likelihood of a substantial call," as suggested by the Court of Appeals (R. 148-419; 289 F. 2d 74-75). Had a taxpayer made such an attempt there can be little doubt about the action of any revenue agent familiar with the regulation and the rulings.

The probability that particular bonds will be called at the general call price in a given period will, in the case at least of bonds with mandatory sinking fund provisions, be no greater than (and frequently less than) the probability of call at the special call price. In the case of such bonds, none will normally be called at the general call price unless the company can refinance the entire issue at a net savings in cost. Even in the case of issues where the calling of bonds for sinking fund purposes is optional with the company, because of an election to certify property additions or satisfy the sinking fund requirement in some other way, the company would normally call bonds at the special call price rather than the general call price, if permitted by the indenture to do so, because the special call price is lower. Only in the case of a complete refunding would the company call bonds at the regular call price. In such a case there is no choice.

In view of the foregoing it seems fair to say that the Commissioner's true objection to special call prices in the case of fully taxable bonds is that the taxpayer (under pre-1958 law) obtained a greater deduction by calculating bond premium with reference thereto. On the other hand, in the case of tax exempt bonds, where basis for gain or loss is involved (but there is no deduction in computing net taxable income), it was to the advantage of the Treasury for bond premium to be determined with reference to the lower of alternate call prices. It is accordingly understandable that the Commissioner published no ruling purporting to revoke the special ruling dated December 4, 1953, published by both major tax services,[10] relating to

10. Commerce Clearing House, 1954 Standard Federal Tax Reports, par. 6209; Prentice-Hall, 1954 Federal Income Taxes, par. 76,492. Several special rulings are copied in the record at pp.

tax exempt bonds issued by Elizabeth River Tunnel Commission, and purchased at a premium by a corporate taxpayer during its fiscal year ending August 31, 1954. The special call price of these bonds was available on any interest payment date after January 31, 1953 upon thirty days' notice, and the general call price was available on any interest payment date after January 31, 1955. The Commissioner ruled "that the full amount of the premium paid on your purchase may be amortized, through a deduction of the basis of the bonds, during your taxable year ending August 31, 1954." This meant, of course, that amortizable bond premium was computed with reference to the special call price because that was the only one available prior to 1955.

With respect to fully taxable bonds, the situation created by Revenue Ruling 56-398 was that (so far as concerns the point under discussion) revenue agents were required to accept, as filed, the returns of taxpayers who had personally received rulings from the Commissioner's office specifically approving the calculation of bond premium with reference to a special call price, but were permitted to determine deficiencies against other taxpayers, unless barred by the statute of limitations. It would appear, however, that a method of computing bond premium

---

51-65, holding with respect to fully taxable bonds that either of two alternate call prices could be selected by the taxpayer, where both were available on thirty days' notice; also copied are the applications for the rulings and the subsequent 1956 revocations, which were made without retroactive effect. An additional special ruling is copied in the Tax Court's opinion in *Fabreeka Products Co.*, 34 T. C. 290, 293. These rulings construed and applied the Commissioner's own regulation. Cf. *Norwegian Nitrogen Co.* v. *U. S.*, 288 U. S. 294, 325 (1933); *Bowles* v. *Seminole Rock Co.*, 325 U. S. 410, 414 (1945); *Parnell* and *Reed* v. *U. S.*, 187 F. Supp. 576, 580-581. The Court of Appeals seems to have regarded them as merely interpretative of the statute (R. 150; 289 F. 2d 75).

which is reasonable for some taxpayers should be held reasonable for others similarly situated without regard to whether they had requested and obtained personal rulings on a question which the Commissioner evidently considered free from doubt, judging from the rulings actually issued.[11] Moreover, in at least four Tax Court cases, the Commissioner either stipulated that bond premium could be computed with reference to the special call price (if a deduction for bond premium was allowable at all) or did not question that such was a proper method.[12]

We refrain in this brief from discussing legislative history[13] and other points which will doubtless be dealt

---

11. Cf. *Exchange Parts* v. *United States*, 279 F. 2d 251 (Ct. Cl. 1960). The procedure here followed is the opposite of that which was sustained in *Automobile Club* v. *Commissioner*, 353 U. S. 180 (1957), where a special ruling grounded on an erroneous interpretation of the law was revoked retroactively, but with the result that all automobile clubs were treated alike pursuant to a previously published ruling of general application. Cf. *Arizona Grocery Co.* v. *Atchison, Topeka & Santa Fe Railway Co.*, 284 U. S. 370 (1932), holding that a legislative or quasi legislative rule of conduct may not be repealed with retroactive effect. Clearly the Treasury regulation here involved was legislative or quasi legislative in character, and not merely interpretative of the statute. Cf. *Sunshine Coal Co.* v. *Adkins*, 310 U. S. 381, 398 (1940).

12. *Maysteel Products, Inc.*, 33 T. C. 1021, *Fabreeka Products Co.*, 34 T. C. 290; *Friedman*, 34 T. C. 456; *Sherman*, 34 T. C. 303. In each case the Tax Court sustained the Commissioner in disallowing any deduction at all for bond premium, and was reversed on this point by the Court of Appeals for the Seventh Circuit in *Maysteel Products, Inc.*, 287 F. 2d 429, and in the other three cases by the Court of Appeals for the First Circuit, October 5, 1961.

13. For example, the Court of Appeals did not consider the summary of H. R. 8300 prepared by the staff of the Joint Committee on Internal Revenue Taxation when the 1954 Code was in preparation, giving as an illustration of what the existing law permitted almost the identical case which the Court had under consideration. See Hearings before Committee on Finance, U. S. Senate, Eighty-Third Congress, Second Session, Part I (April 7 and 8, 1954), p. 21. Congress deliberately re-enacted in Section 171 of the 1954 Code the pertinent language of Section 125 of the 1939 Code. Cf. *Boehm* v. *Commissioner*, 326 U. S. 287 (1945); *Crane* v. *Commissioner*, 331 U. S. 8 (1947); *U. S.* v. *Leslie Salt Co.*, 350 U. S. 383 (1956).

with at some length by petitioners themselves. We do wish, however, to note an error in the Tax Court's findings of fact in *Gourielli*. The statement (R. 79) that Appalachian Electric Power Company "had $1,685,114.65 available in 1953 for the call of 1981 Series bonds at the 'regular redemption' price" is meaningless because there was no restriction as to funds which might have been used for this purpose. The Tax Court was doubtlessly confused by an inadvertent statement of an expert witness, which the witness promptly corrected (R. 33). The evidence in question related to the amount of bonds the company was permitted to call at the special call price, based on the company's operations for that one year.[14]

CONCLUSION

In conclusion, it is respectfully submitted that the decision of the Court of Appeals should be reversed.

Respectfully submitted,

WILLIAM WALLER,
Amicus Curiae.

WALLER, DAVIS & LANSDEN,
Of Counsel.

---

14. See Exhibit 4-D; also Finding of Fact No. 3 in *Parnell* and *Reed*, 187 F. Supp., 576, 578. For illustrations of different types of bonds with special call price provisions, see Appendix C, *infra*. The relevant provisions as to Georgia Power Company bonds are summarized in Finding of Fact No. 4, in *Parnell* and *Reed*, *supra*.

APPENDIX A

The following excerpt from the stipulation on file in Tax Court Docket No. 62718 and related cases lists calls of Alabama Power Company bonds at the special call price:

> "(d) Of the total $18,000,000 issue of Alabama Power Company First Mortgage Bonds, 4⅛% Series, due 1983, $6,061,000 aggregate principal amount were retired through operation of the Improvement Fund as follows:
>
> In the year 1953 — $1,262,000 principal amount were purchased at 102.172
> In the year 1954 — $1,439,000 principal amount were redeemed at 102.18
> In the year 1955 — $1,606,000 principal amount were redeemed at 102.14
> In the year 1956 — $1,754,000 principal amount were redeemed at 102.06
>
> The remaining bonds of this series are now outstanding."

The following excerpt from the same stipulation lists calls of Georgia Power Company bonds at the special call price:

> "(d) The bonds of all series redeemed through operation of the sinking fund during the years 1952-1961, inclusive, were as follows:

Year	Principal Amount of Bonds Redeemed Through Sinking Fund		
1952	$1,541,000	3½s	1971
1953	1,779,000	3¾s	1983
1954	1,926,000	3¾s	1983
1955	2,036,000	3¾s	1983
1956	2,155,000	3¾s	1983
1957	372,000	3⅜s	1977
	1,878,000	3⅜s	1978
	31,000	3¾s	1983
	12,000	3⅜s	1985
1958	2,394,000	5¼s	1987
1959	2,629,000	5¼s	1987
1960	2,827,000	5¾s	1989
1961	2,947,000	5¾s	1989

APPENDIX B

Pertinent Portions of Regulation Issued by the Commissioner of Internal Revenue Pursuant to Section 125(b)(3)(B), Internal Revenue Code of 1939

---

§39.125(b)-1 Bond premium and amortizable bond premium. (a) Bond premium on any bond to which section 125 applies is the excess of the amount of the basis (for determining loss on sale or exchange) of the bond over the amount payable at maturity or, in the case of a callable bond, earlier call date. For determination of applicable call date see §39.125(b)-2.

* * * * *

§39.125(b)-2 Callable and convertible bonds. (a) The fact that a bond is callable or convertible into stock does not, in itself, prevent the application of section 125. For the purposes of such section, in the case of a callable bond the earlier call date will be considered as the maturity date and the amount due on such date will be considered as the amount payable on maturity, unless the taxpayer regularly employs a different method of amortization which is reasonable. Hence, the bond premium on such a bond is required to be spread over the period from the date as of which the basis for loss of the bond is established down to the earlier call date, rather than the maturity date. The earlier call date may be the earliest call date specified in the bond as a day certain, the earliest interest payment date if the bond is callable at such date, the earliest date at which the bond is callable at par, or such other call date, prior to maturity, specified in the bond as may be selected by the taxpayer. A taxpayer who deducts amortizable bond premium with reference to a particular call date may not thereafter use a different call date in the

calculation of amortization deductions with respect to such premium.

* * * * *

§39.125(b)-5 Methods of amortization. (a) The determinations of the bond premium and amortizable bond premium on any bond to which section 125 applies shall be made in accordance with:

(1) The method of amortization regularly employed by the taxpayer, if such method is reasonable; or

(2) The method of amortization prescribed by this section.

A method of amortization will be deemed "regularly employed" by a taxpayer if the method was consistently followed in taxable years beginning before January 1, 1952, or if for taxable years beginning on or after such date a taxpayer who has never previously taken a deduction for amortization initiates in the first taxable year for which such a deduction is taken a reasonable method of amortization and consistently follows such method thereafter. * * *

(b) The method of amortization prescribed by this section is as follows:

(1) The bond premium on any bond to which section 125 applies shall be determined in accordance with §39.125(b)-1 and shall be computed as of the end of the taxable year (or as of the date of disposition or redemption of the bond, if it was disposed of or redeemed in the taxable year) but without regard to the amortizable bond premium for the taxable year; and

(2) The amortizable bond premium on such bond for the taxable year shall be an amount which bears the same ratio to the bond premium on the bond as the number of

months in the taxable year during which the bond was owned by the taxpayer bears to the number of months from the beginning of the taxable year (or, if the bond was acquired in the taxable year, from the date of acquisition) to the date of maturity or earlier call date. For the purposes of this subparagraph, a fractional part of a month shall be disregarded unless it amounts to more than half a month, in which case it shall be considered as a month.

• • • • •

§39.125(c)-1 Election. In the case of a corporation, the election provided in section 125 may be made only with respect to fully taxable bonds. In the case of a taxpayer other than a corporation, the election provided in such section may be made with respect to (a) fully taxable bonds only, or (b) partially tax-exempt bonds only, or (c) both fully taxable bonds and partially tax-exempt bonds. Such election shall be made by the taxpayer by claiming a deduction for the bond premium in his return for the first taxable year to which he desires the election to be applicable. No other method of making such election is permitted. If the election is so made, the taxpayer should attach to his return a statement showing the computation of the deduction. The election shall apply to all bonds in respect of which it was made owned by the taxpayer at the beginning of the first taxable year to which the election applies and also to all bonds of such class (or classes) thereafter acquired by him, and shall be binding for all subsequent taxable years. Upon application by the taxpayer, the Commissioner may permit him to revoke the election, subject to such conditions as the Commissioner deems necessary. • • •

• • • • •

APPENDIX C

The following are illustrations from Moody's Manuals of different types of bonds with special call prices:

National Dairy Products Corp., Deb. 3s, dated June 1, 1948, due 1970, regular call price (to November 30, 1952) 104¼; sinking fund call price, 101⅞. Annual sinking fund required sufficient during 1950-1954 to redeem not less than 2% nor more than 4% of previously issued debentures; during 1955-1959, not less than 3% nor more than 6%; and during 1960-1969, not less than 4% nor more than 8%.

Equitable Gas Co., First 3¼s, dated January 1, 1948, due 1973, regular call price (1952) 103.20; sinking fund call price, 100.77. Annual sinking fund required sufficient to redeem annually 1½% of highest amount of bonds of this series at any time outstanding.

General Telephone Corp., Deb. 4s, dated April 1, 1949, due 1964, regular call price (to March 31, 1953) 104.125; sinking fund call price, 101.91. Commencing in 1952, $400,000 of bonds (out of an original issue of $10,000,000) required to be retired by sinking fund, increasing $5,000 annually thereafter, but not in any event at a redemption cost to exceed consolidated net income for preceding year.

Tennessee Gas Transmission Co., Deb. 4⅞s, dated November 1, 1951, due 1971; regular call price (1952) 105.25; special call price, 102.19. Company required to retire $1,000,000 debentures (out of an original issue of $25,000,000) on November 1, 1952, and thereafter $900,000 semi-annually to November 1, 1956, and $560,000 semi-annually thereafter to May 1, 1971.